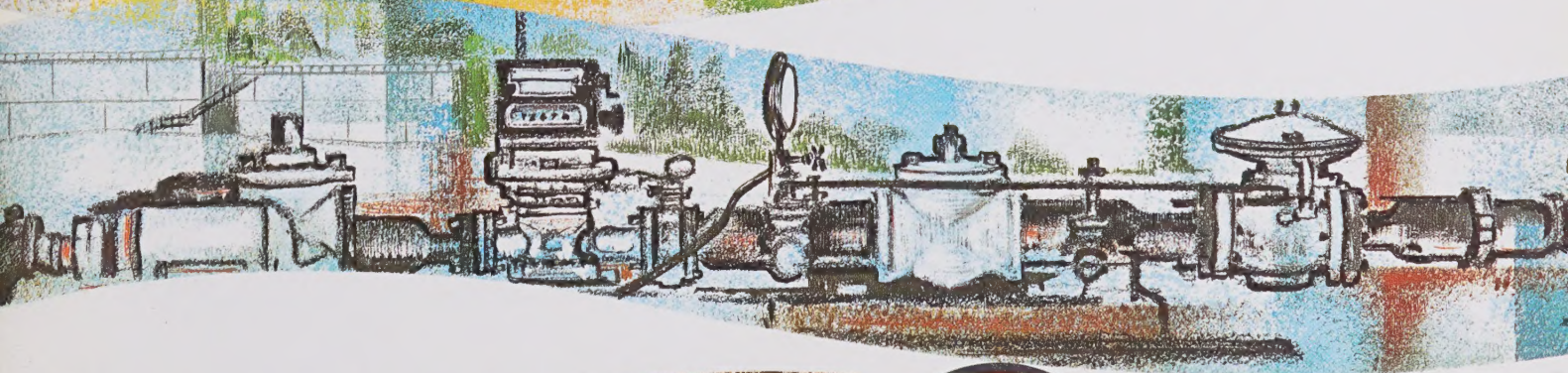



# PEMBINA PIPE LINE LTD.

*annual  
report  
1962*







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## HIGHLIGHTS OF 1962

(WITH COMPARISON FOR PREVIOUS YEARS)

	1962	1961	1960	1959	1958	1957	1956	1955
Net income for the year .....	\$1,359,375	\$1,451,529	\$1,324,154	\$1,187,348	\$1,002,197	\$1,095,079	\$1,102,429	\$416,628
Earnings per common share .....	79¢	85¢	77¢	68¢	56½¢	62¢	63¢†	20¢†
Average deliveries in barrels of oil per day .....	113,580	121,550	110,400	103,400	94,000	106,000	88,000	38,000
Wells								
— added in the year .....	257	252	490	425	612	526	857	685
— in total .....	4,146*	3,889	3,640	3,150	2,725	2,113	1,587	730
Miles of pipeline								
— in the year ..	51	57	56	85	49	148	153	152
— in total .....	814	763	706	650	565	543	395	242
Batteries connected								
— in the year ..	48	39	65	54	71	114	132	95
— in total .....	621	573	534	469	415	344	230	98
Batteries automated								
— in the year ..	— §	29	57	47	19	1	—	—
— in total .....	153	153	124	67	20	1	—	—

† 1955 and 1956 adjusted for subdivision of stock effective March 18, 1957 on a four for one basis.

\* Includes 898 water injection wells and 34 gas injection wells drilled or converted from oil wells as part of the producers' programme of pressure maintenance in the Pembina Field. Production allowables for the injection wells are transferred to other oil wells.

§ Actually 23 batteries were automated, but 23 previously automated batteries were consolidated with existing batteries, thus the total number of batteries automated remains at 153.



## Report of the Directors to the Shareholders

*This report covers the eighth year of operations of Pembina Pipe Line Ltd.*

### Throughputs

In the report of the directors to the shareholders dated February 2, 1962, it was stated that owing to the introduction on January 1, 1962, of "operating" economic allowables into the Alberta proration regulations, fields such as Pembina, which have been on production for some time were to receive a lower economic allowable per well. It was forecasted at that time that the daily volume of crude oil that would be transported through the Pembina system would be reduced to 113,000 barrels for 1962. The actual throughput in 1962 was 113,580 barrels per day, and it is anticipated that throughputs in 1963 will be slightly higher.

### Earnings and financial

Gross revenue for the fiscal year 1962 totalled \$6,397,433 and net earnings \$1,359,375; this compared with gross revenue for the previous year of \$6,730,857 and net earnings of \$1,451,529. After provision for preferred dividends, earnings in 1962 amounted to 79¢ per common share; this compares with 85¢ per common share in 1961.

During the year your Company increased its investment in carrier property by \$1,244,984 which amount was provided out of current earnings. These funds were used to extend the gathering system and automate existing facilities; more detailed explanations of this work are provided later in this report.

The funded debt of your Company at November 30, 1962, amounted to \$11,140,500. This debt is being retired at a rate in excess of \$1,000,000 per year. Details of the funded debt issues and redemptions are shown in the auditor's report.

### Oil reserves

In January, 1963, J. C. Sproule and Associates reviewed their report of November 30, 1961, and confirmed their estimate of oil remaining to be produced from proven drilled and proven undrilled lands in the Pembina and Willesden Green fields by primary and secondary recovery methods. Based on this figure, oil to be produced from the fields serviced by the Pembina system at November 30, 1962, would be approximately 757,000,000 barrels.

### Development drilling and extensions to the gathering system

Development drilling in the Pembina field during the past year was concentrated principally in the northwest and southeast areas. Drilling also continued actively in the Willesden Green field. In all, 257 new oil wells were completed in the area serviced by the gathering system; this compares with approximately 378 development oil wells completed in all other fields in the Province of Alberta during the year.

To provide service to the new productive areas and to the Bigoray field, which is located north of the Pembina field, 51 miles of gathering lines were constructed in the year, increasing the total mileage in the pipe line system to 814 miles.

At November 30, 1962, seventy-one per cent of all field production was being automatically metered into the gathering system. This compares with sixty per cent received under automatic custody transfer at November 30, 1961. The installation of all equipment necessary for the remote control of the main pump station and the Calmar booster station was completed early in 1962. This was followed by a "run-in" period during which all alarm conditions were simulated to prove the new equipment and all necessary control adjustments were made. Since August, 1962 all trunk facilities have been operated by means of remote controls situated in Edmonton. Your Company will continue its policy of taking maximum advantage of the latest technological advances whenever such steps will economically improve the operational efficiency of the system.

*Automation  
of  
facilities*

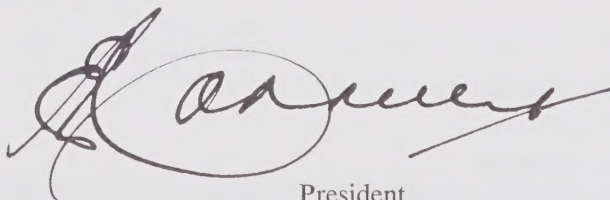
Huron Pipelines Limited, a company in which your Company is interested, along with Canadian Pacific Oil and Gas Limited and Dr. Hu Harries, Economic Consultant, applied to the Department of Mines and Minerals of the Province of Alberta for permission to construct a refined products pipe line from Edmonton to Lethbridge. This application was denied. Huron then applied for permission to build a pipe line from Calgary to Lethbridge and from Edmonton to Red Deer. These permits were granted in May and December respectively. Huron is now reviewing rates and throughputs with potential shippers.

*Products  
pipe  
line*

Your management is continuing its policy of looking for new avenues for expanding your Company's activities in the pipe line transportation industry. At the same time possible alternative areas for growth are being kept under review, and particular projects are being studied to determine whether they would form an economically attractive diversification for Pembina.

Your directors wish to formally express their appreciation to the employees for the continuing high standard of their work.

By Order of the Board,

A handwritten signature in dark ink, appearing to read "D. J. Harries", is written over a large, faint circular stamp. The signature is fluid and cursive.

President

February 6, 1963  
Calgary, Alberta



## Production and Throughputs 1962

(WITH COMPARATIVE FIGURES FOR 1961)

### FIELD PRODUCTION

The production from all fields for 1962 amounted to 41,458,000 barrels and the following table indicates the amount received from each field:

	1962	1961
Pembina .....	39,186,000	42,915,000
Willesden Green .....	2,131,000	1,237,000
West Willesden Green .....	—	70,000*
Alhambra .....	—	21,000*
Bigoray .....	141,000	121,000
	<u>41,458,000</u>	<u>44,364,000</u>

\* Includes production to May 1, 1961, after which these fields were amalgamated with the Willesden Green Field.

### MAIN LINE THROUGHPUTS

The above noted production was delivered through the trunk line facilities to the following delivery points in Edmonton:

	1962	1961
Interprovincial Pipe Line Company .....	25,503,000	35,094,000
Trans Mountain Oil Pipe Line Company .....	10,228,000	4,866,000
Refineries at Edmonton .....	5,727,000	4,404,000
	<u>41,458,000</u>	<u>44,364,000</u>

## Facilities Added in 1962

	PEMBINA	WILLESSEN GREEN	BIGORAY	TOTAL
Miles of crude oil gathering lines constructed .....	36	5	10	51
New batteries connected .....	37	9	2	48
Batteries automated .....	19	2	2	23
New wells .....	178	73	6	257

## Source and Application of Funds 1962

(WITH COMPARISON FOR PREVIOUS YEARS)

	1962	1961	1960	1959	1958	1957
<b>SOURCE OF FUNDS:</b>						
Net earnings .....	\$1,359,375	\$1,451,529	\$ 1,324,154	\$1,187,348	\$1,002,197	\$ 1,095,079
Depreciation and amortization ..	1,373,726	1,398,997	1,205,887	1,023,760	922,147	893,056
Deferred income taxes .....	95,502	101,966	198,735	321,112	355,815	418,222
Debt discount amortized .....	28,629	32,412	32,350	34,146	34,159	21,293
Long term debt issued, (Less: Discount on debt and funds remaining with trustee — not withdrawn) .....	—	—	—	—	2,284,588	—
Withdrawals from trustee .....	—	—	—	740,012	—	1,337,405
Other items (net) .....	994	80	9,617	(3,097)	3,100	2,658
	<u>\$2,858,226</u>	<u>\$2,984,984</u>	<u>\$ 2,770,743</u>	<u>\$3,303,281</u>	<u>\$4,602,006</u>	<u>\$ 3,767,713</u>
<b>APPLICATION OF FUNDS:</b>						
Additions to carrier property (net) .....	\$1,244,984	\$1,390,647	\$ 1,651,540	\$1,716,802	\$ 723,914	\$ 5,467,758
Sinking fund requirements .....	1,182,000	1,149,500	1,117,000	1,107,762	912,500	857,756
Additional operating oil supply .....	—	—	—	—	—	148,417
Additional income taxes .....	3,093	—	141,980	—	—	—
Investment in wholly owned subsidiaries .....	—	—	423,000	100	—	—
Investment .....	2,500	—	—	—	—	—
Advances to wholly owned subsidiaries (net) .....	56,517	(13,833)	(32,120)	69,817	—	—
Preferred dividends .....	83,580	86,692	89,393	94,043	100,000	100,000
	<u>\$2,572,674</u>	<u>\$2,613,006</u>	<u>\$ 3,390,793</u>	<u>\$2,988,524</u>	<u>\$1,736,414</u>	<u>\$ 6,573,931</u>
Increase (Decrease) in Working Capital .....	\$ 285,552	\$ 371,978	\$ (620,050)	\$ 314,757	\$2,865,592	\$ (2,806,218)
Working Capital (Deficit) .....	\$ (545,645)	\$ (831,197)	\$ (1,203,175)	\$ (583,125)	\$ (897,882)	\$ (3,763,474)





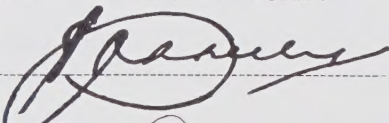
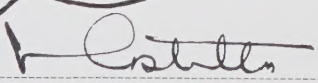
PEMBINA PI

BALANCE

November

(WITH COMPARATIVE)

ASSETS

	1962	1961
Fixed assets, at cost:		
Carrier property and equipment .....	\$30,414,908	\$29,219,685
Less accumulated depreciation .....	6,897,318	5,611,096
	23,517,590	23,608,589
Operating oil supply .....	482,191	482,191
	23,999,781	24,090,780
Investment in shares and advances to wholly-owned subsidiary companies:		
Investment in shares, at cost .....	22,600	23,600
Advances .....	79,380	22,863
	101,980	46,463
Investment in shares, at cost .....	2,500	—
Current assets:		
Cash .....	171,957	441,528
Accounts receivable:		
Shippers .....	521,228	555,370
Others .....	435	30,340
Materials and supplies, at cost .....	81,586	78,236
Deposits and prepaid expenses .....	54,764	32,183
	829,970	1,137,657
Deferred charges:		
Unamortized discount on funded debt .....	172,658	201,287
Organization expenses .....	3,656	3,656
	176,314	204,943
Goodwill and other intangibles less amounts written off .....	738,147	775,890
Approved on behalf of the Board:		
 ....., Director		
 ....., Director		
	\$25,848,692	\$26,255,733

The accompanying notes form an i

This is the balance sheet referred to in the report of Peat, Marwick



30, 1962

FIGURES FOR 1961)

### LIABILITIES

	1962	1961
Funded debt, less current maturities (Note 1) .....	\$10,829,500	\$11,936,500
Current liabilities:		
Accounts payable and accrued charges .....	191,071	228,990
Interest accrued on funded debt, net .....	226,925	255,649
Sinking fund payments due within one year, less bonds, debentures and preferred shares held by the company .....	315,350	624,850
Dividends payable on preferred shares, net .....	20,442	21,254
Income taxes payable, estimated, less payments .....	621,827	838,111
	1,375,615	1,968,854
Deferred taxes on income (Note 2) .....	2,346,819	2,251,323
Shareholders' equity:		
Capital stock:		
5% cumulative redeemable first preferred shares of a par value of \$50.00 each. Authorized 60,000 shares; issued 40,000 shares (Note 3) .....	2,000,000	2,000,000
Less shares redeemed — 1962 6,000 shares; 1961 4,500 shares .....	300,000	225,000
	1,700,000	1,775,000
Less sinking fund payment due within one year .....	75,000	75,000
	1,625,000	1,700,000
Common shares of a par value of \$1.25 each. Authorized 4,000,000 shares; issued 1,608,932 shares (Note 4) .....	2,011,165	2,011,165
	3,636,165	3,711,165
Capital redemption reserve fund .....	300,000	225,000
Paid-in surplus .....	70,835	70,835
Retained earnings (Note 5) .....	7,289,758	6,092,056
	11,296,758	10,099,056
	\$25,848,692	\$26,255,733

ral part of the financial statements.

Mitchell & Co., Chartered Accountants, dated December 28, 1962.

# PEMBINA PIPE LINE LTD.

## Statement of Earnings

Year ended November 30, 1962

(WITH COMPARATIVE FIGURES FOR 1961)

	1962	1961
Revenue from pipe line operations .....	\$6,397,433	\$6,730,857
Expenses:		
Operating .....	1,688,554	1,805,024
Directors' fees .....	3,375	4,800
Depreciation and amortization .....	1,373,726	1,398,997
	3,065,655	3,208,821
Net earnings from operations .....	3,331,778	3,522,036
Miscellaneous charges (income) net:		
Interest on funded debt .....	579,435	629,952
Amortization of discount on funded debt .....	28,629	32,412
Dividend income .....	( 9,291)	—
Profit on sinking fund operations .....	( 22,298)	( 45,705)
	576,475	616,659
Net earnings before taxes on income .....	2,755,303	2,905,377
Taxes on income:		
Current year .....	1,300,426	1,351,882
Future years (Note 2) .....	95,502	101,966
	1,395,928	1,453,848
Net earnings .....	\$1,359,375	\$1,451,529

The accompanying notes form an integral part of the financial statements.



# PEMBINA PIPE LINE LTD.

## Statement of Retained Earnings

Year ended November 30, 1962

Balance at November 30, 1961 .....		\$6,092,056
Add net earnings year ended November 30, 1962 .....		<u>1,359,375</u>
		7,451,431
Deduct:		
Dividend paid on 5% cumulative redeemable first preferred shares .....	\$83,580	
Transfer to capital redemption reserve fund .....	<u>75,000</u>	
Adjustment for income tax of prior year .....	<u>3,093</u>	<u>161,673</u>
Balance at November 30, 1962 .....		<u>\$7,289,758</u>

## Statement of Capital Redemption Reserve Fund

Year ended November 30, 1962

Balance at November 30, 1961 .....	\$ 225,000
Add transfer from retained earnings re redemption of preferred shares .....	<u>75,000</u>
Balance at November 30, 1962 .....	<u>\$ 300,000</u>

The accompanying notes form an integral part of the financial statements.

# Notes to Financial Statements

November 30, 1962

1. Funded debt:	1962	1961
First mortgage bonds:		
4¼% serial bonds, series "A":		
Authorized and issued (Maturing as to \$400,000 on December 1, in each year)	\$ 3,500,000	\$ 3,500,000
Less redeemed and cancelled	2,200,000	1,500,000
	<u>1,300,000</u>	<u>2,000,000</u>
4¼% 17-year bonds, series "A", due December 1, 1971:		
Authorized and issued	4,000,000	4,000,000
Less redeemed and cancelled	1,265,500	916,000
	<u>2,734,500</u>	<u>3,084,000</u>
4½% bonds, series "B", due October 1, 1973:		
Authorized and issued	3,125,000	3,125,000
Less redeemed and cancelled	1,060,000	873,000
	<u>2,065,000</u>	<u>2,252,000</u>
6% bonds, series "C", due December 1, 1974:		
Authorized and issued	2,400,000	2,400,000
Less redeemed and cancelled	568,000	284,000
	<u>1,832,000</u>	<u>2,116,000</u>
	<u>7,931,500</u>	<u>9,452,000</u>
Debentures:		
5% sinking fund debentures, series "A", due December 1, 1972:		
Authorized and issued	2,000,000	2,000,000
Less redeemed and cancelled	528,500	365,500
	<u>1,471,500</u>	<u>1,634,500</u>
5% sinking fund debentures, series "B", due October 1, 1974 (conversion privilege expired):		
Authorized and issued	1,400,000	1,400,000
Less converted into common stock and redeemed and cancelled	191,000	119,000
	<u>1,209,000</u>	<u>1,281,000</u>
6% convertible sinking fund debentures, series "C", due December 1, 1975 (Note 4):		
Authorized and issued	720,000	720,000
Less converted into common stock	78,000	78,000
	<u>642,000</u>	<u>642,000</u>
	<u>3,322,500</u>	<u>3,557,500</u>
Total funded debt	11,254,000	13,009,500
Deduct sinking fund payments due within one year (Note 6)	362,000	1,073,000
Funded debt less current maturities	\$10,892,000	\$11,936,500
Deduct securities purchased to meet other than current maturities	62,500	—
	<u>\$10,829,500</u>	<u>\$11,936,500</u>

- In accordance with certain regulations under the Income Tax Act the company is permitted to claim depreciation at maximum rates for tax purposes without charging such depreciation in its accounts. Accordingly temporary tax savings of \$2,346,819 have been effected (of which \$95,502 is applicable to the current year) and have been treated in the accounts as a charge against earnings and a credit to deferred taxes on income.
- The company may at its option redeem the whole or any part of the 5% cumulative redeemable first preferred shares on not less than 30 days notice at par value plus a premium of 4¼% to December 1, 1962 and thereafter at a reducing premium to December 1, 1972, after which no premium is payable upon redemption.
- The 6% convertible sinking fund debentures, series "C", carry a conversion privilege exercisable on or before December 1, 1965 entitling the holders thereof to exchange each \$500 principal amount of said debentures for 55 common shares of the company.
- The trust deeds securing the first mortgage bonds and the debentures place certain restrictions upon the payment of dividends on the common shares of the company and upon the redemption or repayment of any capital stock.
- At November 30, 1962 the sinking fund payments due within one year have been reduced by \$692,000, being the aggregate principal amount of securities delivered to the Trustee in advance of the sinking fund requirements for the following year.

## Statement in accordance with Section 122(6) of The Companies Act (Alberta)

The company has three subsidiary companies, one of which is inactive. All of the operations of these subsidiary companies have been reflected in the accounts of Pembina Pipe Line Ltd.



Director



Director



## Auditors' Report

### PEAT, MARWICK, MITCHELL & CO.

CHARTERED ACCOUNTANTS

ROOM 508

309 EIGHTH AVENUE WEST  
CALGARY, ALBERTA

#### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Pembina Pipe Line Ltd. as of November 30, 1962 and the statements of earnings, retained earnings and capital redemption reserve fund for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of earnings, retained earnings and capital redemption reserve fund are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at November 30, 1962 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta

December 28, 1962

*Peat, Marwick, Mitchell & Co.*

CHARTERED ACCOUNTANTS

# PEMBINA PIPE LINE LTD.

## Directors

A. D. ARMOUR .....	<i>Toronto, Ontario</i>
D. K. BALDWIN .....	<i>Montreal, Quebec</i>
E. CONNELLY .....	<i>Calgary, Alberta</i>
E. W. COSTELLO .....	<i>Calgary, Alberta</i>
J. P. GALLAGHER .....	<i>Calgary, Alberta</i>
F. C. MANNIX .....	<i>Calgary, Alberta</i>
C. J. OATES .....	<i>Calgary, Alberta</i>

## Officers

F. C. MANNIX .....	<i>Chairman of the Board</i>
E. CONNELLY .....	<i>President and Treasurer</i>
E. W. COSTELLO .....	<i>Vice-President and General Counsel</i>
J. P. GALLAGHER .....	<i>Vice-President</i>
H. BOOTH .....	<i>General Manager and Controller</i>
K. L. PERRY .....	<i>Secretary</i>

BANKERS .....	<i>The Royal Bank of Canada Calgary, Alberta</i>
TRANSFER AGENTS AND REGISTRARS .....	<i>The Montreal Trust Company Calgary, Alberta</i>
SOLICITORS .....	<i>Chambers, Saucier, Jones, Peacock, Black, Gain &amp; Stratton Calgary, Alberta</i>
AUDITORS .....	<i>Peat, Marwick, Mitchell &amp; Co. Calgary, Alberta</i>

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FIELD OFFICE:  
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DRAYTON VALLEY, ALBERTA





